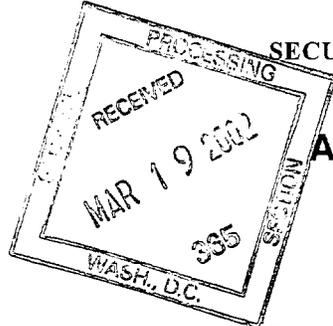


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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

SEC FILE NUMBER
8- 46620

FACING PAGE
Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 1/1/01 AND ENDING 12/31/01
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:
MidSouth Capital, Inc.
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
601 Woodlawn Drive Suite 300

OFFICIAL USE ONLY
FIRM I.D. NO.

(No. and Street)
Marietta GA 30067
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Paul C. LaVielle 770-973-9748
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Agee Fisher, LLC
(Name - if individual, state last, first, middle name)
750 Hammond Drive Bldg 17 Atlanta GA 30328
(Address) (City) (State) (Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

PROCESSED
APR 23 2002

FOR OFFICIAL USE ONLY
THOMSON FINANCIAL

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (05-01)

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

Handwritten signature

OATH OR AFFIRMATION

I, Paul C. LaVielle, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of MidSouth Capital, Inc., as of December 31, 2001, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

None

Handwritten signature of Paul C. LaVielle

Signature

President

Title

Notary Public, Cherokee County, Georgia
My Commission Expires September 14, 2003

Handwritten signature of Carol A. Imbriani

Notary Public

This report ** contains (check all applicable boxes):

- (a) Facing Page.
(b) Statement of Financial Condition.
(c) Statement of Income (Loss) OPERATIONS
(d) Statement of Changes in Financial Condition CASH FLOWS
(e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital
(f) Statement of Changes in Liabilities Subordinated to Claims of Creditors. 1
(g) Computation of Net Capital.
(h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
(i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
(j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3, and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
(k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
(l) An Oath or Affirmation.
(m) A copy of the SIPC Supplemental Report.
(n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

X (o) Independent Auditors' Report On Internal Control Structure

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

1 Registrant has elected to include required information in footnotes to the financial statements.

MIDSOUTH CAPITAL, INC.

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
(with report of independent auditors)

YEARS ENDED DECEMBER 31, 2001 AND 2000

MIDSOUTH CAPITAL, INC.

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2001 AND 2000

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Agee Fisher, LLC.
INDEPENDENT AUDITORS' REPORT

Board of Directors
MidSouth Capital, Inc.
Marietta, Georgia

We have audited the accompanying statement of financial condition of MidSouth Capital, Inc. (the Company) as of December 31, 2001, and the related statements of operations, changes in stockholders' equity, and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of MidSouth Capital, Inc. as of December 31, 2000, were audited by other auditors whose report dated March 6, 2001 on those statements disclaimed an opinion due to uncertainties regarding unauthorized loans with financial institutions and other parties the Company believed may have been obtained by a former officer in the Company's name.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MidSouth Capital, Inc. at December 31, 2001, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information listed in the accompanying index is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


February 8, 2002

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTING SERVICES

750 Hammond Drive • Building 17 • Atlanta, Georgia • 30328 • Telephone 404-256-1144 • FAX 404-847-0511

MIDSOUTH CAPITAL, INC.

 STATEMENTS OF FINANCIAL CONDITION
 DECEMBER 31, 2001 AND 2000

| | 2001 | 2000 |
|--|------------|------------|
| <u>ASSETS</u> | | |
| Cash and cash equivalents | \$ 141,742 | \$ 60,225 |
| Receivables from clearing organizations | 168,670 | 147,990 |
| Deposits with clearing organizations | 69,378 | 50,213 |
| Other receivables | 37,467 | 25,841 |
| Property and equipment, net | 15,992 | 23,926 |
| Deferred tax asset | 133,000 | -0- |
| Other assets | 974 | 4,008 |
| | \$ 567,223 | \$ 312,203 |
| <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u> | | |
| Liabilities: | | |
| Obligation under line of credit | \$ 95,937 | \$ 101,253 |
| Accounts payable and accrued expenses | 245,445 | 100,511 |
| Other liabilities | 2,100 | -0- |
| | 343,482 | 201,764 |
| Stockholders' equity: | | |
| Preferred stock; no par value, 1,000 shares authorized; 28 and 13 shares issued and outstanding at December 31, 2001 and 2000 | 284,158 | 134,158 |
| Common stock; no par value, 100,000 shares authorized; 65,788 and 49,500 shares issued and outstanding at December 31, 2001 and 2000 | 192,979 | 120,579 |
| Additional paid-in capital | 7,492 | 7,492 |
| Common stock subscription note receivable from director | -0- | (13,579) |
| Accumulated deficit | (260,888) | (138,211) |
| | 223,741 | 110,439 |
| | \$ 567,223 | \$ 312,203 |

See notes to financial statements and auditors' report.

MIDSOUTH CAPITAL, INC.

 STATEMENTS OF OPERATIONS
 YEARS ENDED DECEMBER 31, 2001 AND 2000

| | <u>2001</u> | <u>2000</u> |
|-------------------------------------|---------------------|---------------------|
| REVENUES: | | |
| Commissions and fees | \$ 3,106,227 | \$ 4,025,829 |
| Interest income | <u>4,266</u> | <u>4,947</u> |
| Total revenues | <u>3,110,493</u> | <u>4,030,776</u> |
| EXPENSES: | | |
| Commissions expense | 1,865,084 | 2,713,404 |
| Clearing costs | 393,025 | 600,613 |
| Employee compensation and benefits | 605,126 | 407,439 |
| Occupancy | 80,494 | 27,140 |
| Communications | 89,653 | 34,936 |
| Registration fees | 43,757 | 27,135 |
| Other operating expenses | 252,694 | 328,227 |
| Depreciation and amortization | 7,306 | 9,801 |
| Interest expense | <u>8,059</u> | <u>2,893</u> |
| Total expenses | <u>3,345,198</u> | <u>4,151,588</u> |
| NET LOSS BEFORE INCOME TAXES | <u>(234,705)</u> | <u>(120,812)</u> |
| INCOME TAXES: | | |
| Deferred income tax benefit | <u>133,000</u> | <u>-0-</u> |
| NET LOSS | <u>\$ (101,705)</u> | <u>\$ (120,812)</u> |

See notes to financial statements and auditors' report.

MIDSOUTH CAPITAL, INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2001 AND 2000

| | Capital Stock | | Additional Paid-In Capital | Subscription Note From Director | Accumulated Deficit | Total Stockholders' Equity | |
|---|---------------|------------|----------------------------------|---------------------------------------|------------------------|----------------------------------|------------|
| | Preferred | Common | | | | | |
| | Shares | Amount | Shares | Amount | | | |
| Balances, January 1, 2000 | 13 | \$ 134,158 | 49,500 | \$ 120,579 | \$ 7,492 | \$ (7,372) | \$ 231,278 |
| Net loss | | | | | | (120,812) | (120,812) |
| Payment on subscription note from director | | | | 10,000 | | | 10,000 |
| Cash dividends paid on preferred stock | | | | | | (10,027) | (10,027) |
| Balances, December 31, 2000 | 13 | 134,158 | 49,500 | 120,579 | 7,492 | (138,211) | 110,439 |
| Net loss | | | | | | (101,705) | (101,705) |
| Payment on subscription note from director | | | | 13,579 | | | 13,579 |
| Issuance of common stock | | | 16,288 | 72,400 | | | 72,400 |
| Issuance of preferred stock | 15 | 150,000 | | | | | 150,000 |
| Cash dividends paid on preferred stock | | | | | | (20,972) | (20,972) |
| Balances, December 31, 2001 | 28 | \$ 284,158 | 65,788 | \$ 192,979 | \$ 7,492 | \$ (260,888) | \$ 223,741 |

See notes to financial statements and auditors' report.

MIDSOUTH CAPITAL, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2001 AND 2000

| | <u>2001</u> | <u>2000</u> |
|---|--------------------------|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | \$ (101,705) | \$ (120,812) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Loss on disposal of property and equipment | (247) | -0- |
| Depreciation | 7,306 | 9,801 |
| Changes in operating assets and liabilities: | | |
| Receivables from clearing organizations | (20,680) | 133,235 |
| Deposits with clearing organizations | (19,165) | (21) |
| Other receivables | (11,626) | |
| Due from related parties | -0- | 65,639 |
| Deferred tax asset | (133,000) | -0- |
| Other assets | 3,034 | 14,439 |
| Accounts payable and accrued expenses | 144,934 | (116,809) |
| Income tax payable | -0- | (9,708) |
| Other liabilities | 2,100 | -0- |
| Net cash used in operating activities | <u>(129,049)</u> | <u>(24,236)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceeds from sale of property and equipment | 5,000 | -0- |
| Purchase of property and equipment | <u>(4,125)</u> | <u>(10,304)</u> |
| Net cash provided by (used in) investing activities | <u>875</u> | <u>(10,304)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Cash received from preferred stock issuance | 150,000 | -0- |
| Cash received from common stock issuance | 72,400 | -0- |
| Net change in obligation under line of credit | (5,316) | 81,253 |
| Repayments of subordinated borrowings | -0- | 10,000 |
| Cash received from stockholder subscription note | 13,579 | -0- |
| Dividends paid on preferred stock | (20,972) | (10,027) |
| Repayments of capital lease obligations | <u>-0-</u> | <u>(1,159)</u> |
| Net cash provided by financing activities | <u>209,691</u> | <u>80,067</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 81,517 | 45,527 |
| CASH AND CASH EQUIVALENTS, beginning of year | <u>60,225</u> | <u>14,698</u> |
| CASH AND CASH EQUIVALENTS, end of year | <u>\$ 141,742</u> | <u>\$ 60,225</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Cash paid during the year: | | |
| Interest | <u>\$ 8,059</u> | <u>\$ 2,893</u> |
| Income taxes | <u>\$ -0-</u> | <u>\$ 9,708</u> |

See notes to financial statements and auditors' report.

MIDSOUTH CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2001 AND 2000

1. Summary of Significant Accounting Policies:

Description of Business

MidSouth Capital, Inc. (the Company) is an independent investment banking company headquartered in Marietta, Georgia. The Company's products and services include stocks, bonds, mutual funds, unit investment trusts, government securities, retirement plans, annuities, private investment opportunities, insurance products and corporate finance activities. A substantial amount of the Company's operations are conducted through a network of independent broker/dealers located primarily in the eastern United States. The Company is a member of the National Association of Securities Dealers.

Securities Transactions

Customers' securities and commodities transactions are reported on a settlement date basis with related commission income and expenses reported on a settlement date basis, which approximates a trade date basis. Accounts receivable and payable for securities transactions that have not reached their contractual settlement date are recorded net in the statements of financial condition.

Cash and Cash Equivalents

The Company has defined cash equivalents as highly liquid investments with original maturities of less than 90 days that are not held for sale in the ordinary course of business.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is provided on the straight-line method over the estimated useful lives of the depreciable assets.

Income Taxes

Deferred income taxes are provided using a liability method. Under the liability method, deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in future periods based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the December 31, 2000 financial statements have been reclassified to conform to the 2001 presentation.

2. Financial Instruments and Concentration of Credit Risk:

The financial instruments exposed to credit risk are cash equivalents, receivables and deposits. Cash equivalents in the amount of \$87,000 are held in a money market account which are not insured by the FDIC. Receivables and deposits are concentrated with two clearing organizations. The Company does not believe any credit risk exists with these instruments due to the rapid settlement of the receivables and financial strength of the clearing organizations.

MIDSOUTH CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2001 AND 2000

2. Financial Instruments and Concentration of Credit Risk (continued):

The Company is engaged in various trading and brokerage activities in which counter parties primarily include broker-dealers. In the event counterparts do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterpart or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterpart.

3. Property and Equipment:

| | December 31. | |
|-------------------------------|------------------|------------------|
| | 2001 | 2000 |
| Furniture | \$ 8,549 | \$ 11,990 |
| Computer equipment | <u>52,313</u> | <u>51,886</u> |
| | 60,862 | 63,876 |
| Less accumulated depreciation | <u>44,870</u> | <u>39,950</u> |
| | <u>\$ 15,992</u> | <u>\$ 23,926</u> |

4. Line of Credit:

At December 31, 2001, the Company has borrowings of approximately \$96,000 under a line of credit arrangement. The current interest rate is the prevailing prime interest rate plus one percent. Interest is payable monthly, with the principal due on demand. The line is subject to an annual renewal. Borrowings under the line of credit are collateralized by all assets of the Company. The maximum allowable advance under the line of credit is \$100,000.

5. Subordinated Liabilities:

There were no liabilities subordinated to claims of general creditors at December 31, 2001 and 2000.

6. Stockholders' Equity:

The rights and preference of preferred stock are established by the Company's Board of Directors upon issuance. The preferred stock has a stated and redemption value of \$10,000 per share, bears a dividend rate of 10% and is redeemable at the Company's option.

7. Income Taxes:

The components of the provision for income taxes for the years ended December 31 are as follows:

| | 2001 | 2000 |
|--------------------------|-------------------|---------------|
| Deferred: | | |
| Federal | 114,000 | -0- |
| State | <u>19,000</u> | <u>-0-</u> |
| Total income tax benefit | <u>\$ 133,000</u> | <u>\$ -0-</u> |

The Company has available at December 31, 2001 \$366,000 of unused operating loss carryforwards that may be applied against future taxable income and that expire in the years 2020 and 2021.

MIDSOUTH CAPITAL, INC.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2001 AND 2000

8. Related Party Transactions:

At December 31, 2001, other receivables included \$28,500 of advances to officers of the Company, who are also stockholders.

9. Commitments and Contingencies:

Operating Leases

The Company leases the office space it currently occupies under an operating lease that expires in March 2004. The Company is also obligated under a lease for a formerly occupied office space which expires in February 2003. Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of December 31, 2001, for each year and in the aggregate are:

| | | |
|------|----|----------------|
| 2002 | \$ | 81,126 |
| 2003 | | 57,636 |
| 2004 | | <u>11,029</u> |
| | \$ | <u>149,791</u> |

Total minimum future rental payments have not been reduced by sublease rentals of \$25,200 to be received in 2002 and \$4,200 to be received in 2003 under non-cancelable subleases. Total rent expense recorded for 2001 and 2000 was \$91,107 and \$26,090. Sublease rental received in 2001 was \$12,140.

Contingencies

The Company has been notified of three separate claims, totaling \$160,000, that the Company is liable for loans extended to a former stockholder and officer. Management contends that the individual was not authorized to obligate the Company to these loans, and believes that the Company will prevail against these claims. In the event that it does not prevail, management believes that the Company's surety bond will indemnify the Company against these claims.

10. Net Capital Requirements:

The Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule (15c3-1) (the "Rule"), which requires the maintenance of minimum net capital. The Rule prohibits the Company from engaging in securities transactions at any time the Company's net capital, as defined by the Rule, is less than \$5,000, or if the ratio of aggregate indebtedness to net capital, both as defined, exceeds 15 to 1 (and the rule of "applicable" exchange provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio exceeds 10 to 1). Receivables from related parties, deferred tax assets, and certain unencumbered office equipment reflected in the accompanying financial statements are not allowable assets for the purpose of computing minimum net capital under the Rule.

At December 31, 2001 and 2000, the Company had net allowable capital of \$45,275 and \$55,481, which was \$22,376 and \$42,030 in excess of the required net capital of \$22,899 and \$13,451. The Company's aggregate indebtedness to net capital ratio was 7.59 to 1 and 3.64 to 1 as of December 31, 2001 and 2000.

The Company's exemption from the reserve requirements of Rule 15c3-1 (Customer Protection Rule) is under the provisions of Paragraph (k)(2)(ii), in that the Company does not hold customer funds or securities, and all customer funds received in connection with private placements and limited partnership offerings are immediately deposited in a restricted escrow account handled by a commercial bank.

MIDSOUTH CAPITAL, INC.

 COMPUTATION OF NET CAPITAL UNDER RULE 15C3-1
 OF THE SECURITIES AND EXCHANGE COMMISSION
 DECEMBER 31, 2001

NET CAPITAL

| | |
|--|------------------|
| Total stockholders' equity | \$ 223,741 |
| Deduct stockholders' equity not allowable for net capital | -0- |
| Total stockholders' equity qualified for net capital | <u>223,741</u> |
| Add: | |
| Subordinated borrowings allowable in computation of net capital | -0- |
| Other (deductions) or allowable credits-deferred income taxes payable | <u>-0-</u> |
| Total capital and allowable subordinated liabilities | 223,741 |
| Deductions and/or charges: | |
| Non-allowable assets | |
| Securities not readily marketable | -0- |
| Exchange memberships | -0- |
| Furniture and equipment | 15,992 |
| Other assets | 162,474 |
| Additional charges for customers' and non-customers' security accounts | -0- |
| Additional charges for customers' and non-customers' commodity accounts | -0- |
| Aged fails-to-deliver | -0- |
| Aged short security differences | -0- |
| Secured demand note deficiency | -0- |
| Commodity futures contracts and spot commodities – propriety capital charges | -0- |
| Other deductions and/or charges | <u>-0-</u> |
| Net capital before haircuts on securities positions (tentative net capital) | 45,275 |
| Haircuts on securities: | |
| Contractual securities commitments | -0- |
| Securities collateralizing secured demand notes | -0- |
| Trading and investment securities: | |
| Bankers' acceptances, certificates of deposit, and commercial paper | -0- |
| U.S. and Canadian government obligations | -0- |
| State and municipal government obligations | -0- |
| Corporate obligations | -0- |
| Stocks and warrants | -0- |
| Options | -0- |
| Undue concentrations | -0- |
| Other | <u>-0-</u> |
| Net capital | <u>\$ 45,275</u> |

See notes to financial statements and auditors' report.

MIDSOUTH CAPITAL, INC.

 COMPUTATION OF NET CAPITAL UNDER RULE 15C3-1 OF THE
 SECURITIES AND EXCHANGE COMMISSION
 DECEMBER 31, 2001

AGGREGATE INDEBTEDNESS

| | | |
|---|--------|--------------------|
| Items included in statement of financial condition: | \$ | -0- |
| Short-term bank loans (secured by customers' securities) | | -0- |
| Drafts payable | | -0- |
| Payable to brokers and dealers | | 103,799 |
| Payable to clearing broker | | -0- |
| Payable to customers | | -0- |
| Other accounts payable and accrued expenses | | 239,683 |
| Items not included in statement of financial condition: | | |
| Market value of securities borrowed for which no equivalent value is paid or credited | | -0- |
| Other unrecorded amounts | | <u>-0-</u> |
| Total aggregate indebtedness | \$ | <u>343,482</u> |

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

| | | |
|--|----|-------------------|
| Minimum net capital required | \$ | <u>22,899</u> |
| Excess net capital at 1500% | | <u>22,376</u> |
| Excess net capital at 1000% | | <u>10,927</u> |
| Ratio: Aggregate indebtedness to net capital | | <u>7.59 to 1</u> |

RECONCILIATION WITH COMPANY'S COMPUTATION (included in Part II of Form)
 X-17A-5 as of December 31, 2001)

| | | |
|--|--------|-------------------|
| Net capital, as reported in the Company's Part II (Unaudited) FOCUS report | \$ | 64,459 |
| Net audit adjustments | | <u>(19,184)</u> |
| Net capital | \$ | <u>45,275</u> |

See notes to financial statements and auditors' report.

Agee Fisher, LLC.

INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL STRUCTURE

Board of Directors and Stockholders
MidSouth Capital, Inc.
Marietta, Georgia

In planning our audit of the financial statements of MidSouth Capital, Inc. (the Company) for the year ended December 31, 2001, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by MidSouth Capital, Inc., that we considered relevant to the objectives stated in Rule 17a-5(g)(1) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and the procedures for determining compliance with the exemptive provisions of Rule 15c3-3(e). We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13 or in complying with the requirements for the prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry security accounts or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTING SERVICES

750 Hammond Drive • Building 17 • Atlanta, Georgia • 30328 • Telephone 404-256-1144 • FAX 404-847-0511

Because of inherent limitations in any control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe the Company's practices and procedures were adequate at December 31, 2001 to meet the SEC's objectives.

This report is intended solely for the use of management, the SEC and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934, and is not intended to be, and should not be, used for anyone other than these specified parties.

 Argen Fisher, LLC.

February 8, 2002